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TOWN OF HARPSWELL, MAINE

Annual Financial Report

For the Year Ended December 31, 2011

TOWN OF HARPSWELL, MAINE
Annual Financial Report
For the Year Ended December 31, 2011

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Independent Auditor's Report

Board of Selectmen
Town of Harpswell, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Harpswell, Maine as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Harpswell, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Harpswell, Maine as of December 31, 2011, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2012, on our consideration of the Town of Harpswell, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Harpswell, Maine's financial statements as a whole. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. They are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, reading "Remya Newton Ouellette". The signature is written in a cursive, flowing style.

January 30, 2012

South Portland, Maine

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis
December 31, 2011

As management of the Town of Harpswell, Maine, we present this narrative to provide you with an overview and analysis of our annual financial statements for the year ended December 31, 2011. This information, in conjunction with the notes to the financial statements, can be considered when reading the Town's financial statements.

Financial Highlights

- ❖ Total assets of the Town of Harpswell exceed its liabilities by \$13,381,838. Total assets include the costs, net of accumulated depreciation, of the Town's capital assets which totaled \$10,060,466 at December 31, 2011. Capital assets include the Town's infrastructure assets, i.e., roads and dry hydrants, as well as Town-owned lands, buildings and equipment, including the West Harpswell School that the Town voted to accept from M.S.A.D. 75.
- ❖ The Statement of Activities shows an increase in net assets of \$818,005 for the fiscal year. The Town ended the year with higher cash balances as a result of its \$800,000 borrowing for capital road projects, the first of which projects will begin in the Spring of 2012 at a contracted cost of \$531,018.
- ❖ During 2011, the Town repaid \$343,333 of the principal of its long-term debt as scheduled and paid interest of \$84,279 on its long and short-term borrowings.
- ❖ The ending fund balance for all governmental funds is \$5,563,791.
- ❖ The ending fund balance for the general fund is \$3,797,465, an increase of \$27,798 from the previous year. Of this balance, \$476,688 is assigned for specific purposes, \$4,647 is committed for the operation of the West Harpswell School property and \$23,040 is nonspendable. This leaves an unassigned balance of \$3,293,090, which is sufficient for compliance with the Town's Fund Balance Policy. This Policy requires the Town to maintain a fund balance, exclusive of restricted amounts, of 3 times the average of the previous year's monthly general fund expenditures.
- ❖ In addition to its general fund, the Town has a fund restricted for capital projects, which includes an interest-bearing dedicated fund for emergency vehicle purchases (\$726,017) and a fund for road projects (\$1,016,420). The Town also has a fund for its special revenue activities, which includes recreation programs (\$21,353) and grants (\$2,536).

Overview of Financial Statements

The Town of Harpswell's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* provide a broad overview of the Town of Harpswell's finances, in a manner similar to private-sector business. Financial information is presented in two statements – *statement of net assets* and *statement of activities*.

The *statement of net assets* presents information about the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information about how the Town's net assets have changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change

occurs *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Harpswell that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Town of Harpswell include general government, public works (roads, solid waste disposal), protection and safety (law enforcement, fire protection), health and welfare, culture and recreation, debt service and capital planning expenses.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Harpswell, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Town of Harpswell maintains five individual governmental funds. Information for the general fund and the road project fund are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the report.

The Town of Harpswell adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-32 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual statements and schedules can be found on pages 35-45 of this report.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

Statement of Net Assets Information

The following information is a condensed version of the Statement of Net Assets.

		Governmental Activities	
		<u>2011</u>	<u>2010</u>
Assets:			
Current & other assets		\$ 5,978,642	\$ 5,349,187
Capital assets		10,060,466	9,425,088
Total Assets		<u>\$16,039,108</u>	<u>\$14,774,275</u>
Liabilities:			
Long-term debt outstanding		(2,541,668)	(2,085,001)
Other liabilities		(115,602)	(125,441)
Total Liabilities		<u>(2,657,270)</u>	<u>(2,210,442)</u>
Net Assets:			
Invested in capital assets, net of debt		8,611,187	8,030,183
Restricted		1,744,973	1,127,704
Unrestricted		3,025,678	3,405,946
Total Net Assets		<u>\$13,381,838</u>	<u>\$12,563,833</u>

The Town's Total Net Assets increased by \$818,005 during 2011.

Asset changes included an increase in cash balances (\$547,757) resulting primarily from the borrowing of \$800,000 for capital road projects that were not completed. Taxes receivable, including those for which liens have been placed, increased \$67,581. Collections in January 2012 totaled approximately \$220,000 as a result of sending a reminder notice.

Long-term Debt obligations increased during 2011 by \$456,667 as the new borrowing in the amount of \$800,000 for capital road projects was greater than the scheduled principal repayments of \$343,333. Liabilities decreased primarily due to fewer invoices received in January for 2011 liabilities and to a reduction in taxes paid in advance.

64.3% of the Town's Net Assets at December 31, 2011 is represented by its capital assets less any debt outstanding that was used to acquire those assets. Although the Town's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

\$1,744,973 of the 2011 Net Assets (13.0%) is restricted for capital projects and grants. This includes \$726,017 for the purchase of emergency services vehicles and \$1,016,420 for capital road projects.

Unrestricted Net Assets includes amounts assigned for expenditures of certain purposes in subsequent years.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

Statement of Activities Information

The following information is a condensed version of the Statement of Activities.

		Governmental	
		Activities	
		<u>2011</u>	<u>2010</u>
Revenues:			
Program Revenues			
Charges for services	\$ 249,390	\$ 248,415	
Operating grants & contributions	169,174	139,046	
General Revenues			
Property and excise taxes	11,143,966	11,489,463	
Subsidies, grants & entitlements	183,617	180,486	
Interest earned	10,725	19,329	
Donation –West Harpswell School	485,900	300,119	
Other	322,131	-	
Total revenues	\$12,564,903	\$12,376,858	
Expenses:			
General government	\$1,231,685	1,222,364	
Public works	1,033,349	1,020,395	
Protection and safety	837,326	821,332	
Health and welfare	31,943	31,029	
Culture and recreation	295,669	274,399	
Education	6,769,941	7,269,878	
County taxes	1,113,908	1,065,406	
Overlay/abatements	6,363	6,207	
Interest on long-term debt	85,747	87,197	
Capital and special projects	340,967	151,011	
Total expenses	\$11,746,898	\$11,949,218	
Increase in net assets	\$818,005	\$427,640	

Governmental Activities

Governmental activities increased the Town's net assets by \$818,005. Total program revenues increased by \$31,103 (8.0%) on a year to year basis, with increases primarily occurring in operating grants and contributions which increased by \$30,128. While grant funding has become very competitive, the Town was able to obtain funds from the State and other sources. Grants received in 2011 include awards for energy efficient improvements at the Town Office, Recycling Center and the Town-owned building being used by Harpswell Community Broadcasting Corporation (\$69,079), for the development of a boat ramp feasibility study at Mitchell Field (\$20,000), for retro-commissioning the Town Office's heating, ventilation, and air conditioning system (\$7,494), and for residential weatherization (\$7,300).

Net assets were substantially increased by the donation of the West Harpswell School building and other assets by M.S.A.D. 75, which were recorded at estimated fair market value totaling \$485,900.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

Property and excise tax revenues decreased by \$345,497 from 2010. Property taxes decreased \$344,088 due to a decrease in the mil rate. The mil rate declined largely because of a reduction in the school assessment. Interest earned decreased by \$8,604 as rates remain very low.

To aid in the understanding of the Statement of Activities, some additional explanation is provided. Please note that the format differs from that of the Statement of Revenues, Expenditures, and Changes in Fund Balance. Expenses for each activity are listed in the left-most column with revenues generated by that particular activity reported to the right. Subtracting one from the other results in a Net (Expense)/Revenue. This format provides information about the relative financial burden on the Town's taxpayers of each activity. It should be noted, however, that while these revenues may be generated by specific activities, the Town does not have dedicated revenue sources, except for recreation programs whose revenues, to the extent they exceed program costs, are retained for future programs. Accordingly, revenues from specific activities are deposited to the Town's general fund, as are all tax payments received. From this fund, the Town makes all its expenditures.

Examples of activities which produce some level of revenue are:

<i>Public works</i>	Transfer Station fees and recycling revenues Local Road Assistance
<i>Health and welfare</i>	General Assistance state reimbursement
<i>Cultural and recreational</i>	Fees for recreation programs
<i>Capital and special projects</i>	Grants for restricted projects

All other governmental revenues are reported as general revenues. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

Net Cost of Governmental Activities

The following information is a breakdown of each of the Town's major functional activities.

Net Cost of Governmental Activities

Function / Program	Total Cost of Services		Net Cost of Services	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General government	\$1,231,685	\$1,222,364	\$1,231,685	\$1,222,364
Public works	1,033,349	1,020,395	774,356	767,524
Protection and safety	837,326	821,332	837,326	821,332
Health and welfare	31,943	31,029	22,129	24,773
Culture and recreation	295,669	274,399	256,222	233,555
Education	6,769,941	7,269,878	6,769,941	7,269,878
County taxes	1,113,908	1,065,406	1,113,908	1,065,406
Overlay/abatements	6,363	6,207	6,363	6,207
Interest on long-term debt	85,747	87,197	85,747	87,197
Capital and special projects	340,967	151,011	230,657	63,521
Total governmental activities	\$11,746,898	\$11,949,218	\$11,328,334	\$11,561,757

Total Cost of Services and Net Cost of Services decreased from 2010 to 2011 by 1.69% and 2.02%, respectively.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of December 31, 2011, the Town's governmental funds balance totaled \$5,563,791.

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the Town as a whole is reflected in its governmental funds.

Governmental funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances available for spending. Governmental funds report the differences between their assets and liabilities as fund balances. Reserved amounts reflect that which is not available to be spent while undesignated amounts reflect amounts that are.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's General Fund balance increased from \$3,769,667 in 2010 to \$3,797,465 in 2011. The increase was attributable to (1) an excess of revenues over expenditures of \$435,048, (2) \$800,000 in new borrowing, and (3) transfers to other funds of \$1,207,250. Of these transfers, \$1,000,000 went to the capital road reserve, \$200,000 to the emergency vehicle fund, and \$7,250 to recreation programs.

The 2011 Town Meeting approved the use of \$175,000 of fund balance to reduce the 2011 tax commitment. Additionally, a special Town Meeting voted to appropriate \$25,000 from the General Fund Balance to operate the West Harpswell School property from September 2011 until March 2012. Consistent with the Town's policy of maintaining three months of expenses in its year-end General Fund balance, the 2011 year-end level will allow for up to \$420,000 to be used to reduce the 2012 tax commitment or to establish capital reserves.

Revenues: The 2011 property tax commitment decreased by \$329,545 relative to 2010. Total appropriations declined by \$392,288 as a decline in assessment by MSAD 75 of \$499,952 (6.9%) was offset by increases in total municipal appropriations of \$15,414 (3.8%) and Cumberland County assessment of \$48,502 (4.5%). Additionally, overlay increased in 2011 by \$43,748. Revenues other than property tax were expected to rise slightly in 2011 (\$27,257), but the use of fund balance declined by \$90,000.

The 2011 mil rate declined to \$5.80 from \$6.00 as the property tax base expanded by approximately \$3.7 million (0.2 %) and the property tax commitment declined. Of the 2011 commitment, 95% was collected prior to year-end, a collection rate which is consistent with the Town's historical experience.

With the exception of interest income, the Town did not experience any significant decline in non-property tax revenue sources in 2011. While fees to dispose of material at the transfer station declined, the decline was offset by the continued recovery of prices for the sale of recyclable material. Excise tax receipts, the Town's single largest source of non-property tax revenue, were stable as were revenue sharing and homestead exemption payments from the State. Interest income declined by \$8,604 as rates remained at historically low levels and the Town's compensating balance was significantly increased to cover banking fees.

Unexpended Appropriations. Notable unexpended appropriations lapsing to the 2011 general fund occurred in the areas of general administration (\$14,095), snow removal (\$10,840), and recycling and transfer station (\$32,544). With respect to general administration, budgeted part-time hours exceeded actual hours worked. Winter sand and salt budgets were underspent as deliveries anticipated for 2011 did not occur until 2012. The cost of waste disposal at the transfer station was lower than that budgeted as volumes of material disposed there declined, reflective of general economic factors. Additionally, the planning and the employee benefits budgets were not fully utilized as a full-time benefit eligible position remained vacant for approximately half the year.

Overlay. Of the \$117,040 raised for overlay, only \$6,363 was used for the purpose of providing abatements. The remaining \$110,677 lapsed to the general fund balance.

Contingency. The use of contingency was limited to two instances in 2011 totaling less than \$500.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

Harpswell maintains a healthy General Fund balance that is used to fund first quarter expenditures until such time as tax anticipation note financing is needed to fund expenditures up to the time when property tax revenue is collected.

The annual Town Meeting, which is held in March of each year, votes on the budget as recommended by the Selectmen.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the Town's investment in capital assets, net of accumulated depreciation was \$10,060,466 and its outstanding debt \$2,541,668. All outstanding debt was incurred for capital purposes. In 2011, the Town borrowed \$800,000 for capital road work and the remaining outstanding debt of \$1,741,668 primarily funded either road projects (\$770,834) or the emergency services vehicles account (\$915,000).

While all outstanding debt was incurred for the purchase of capital assets, \$1,092,388 is unexpended as of December 31, 2011. Capital road work originally anticipated to be performed in 2011 was delayed until 2012, although the engineering work for the project has been completed and is included as construction in progress. A contract in the amount of \$531,018 has been signed and work is scheduled for the Spring of 2012. The remaining borrowing of \$268,982, which was supplemented with a fund balance appropriation of \$200,000 is currently planned to be used to replace a major culvert on Bethel Point Road and to address other major road work. \$292,388 of unexpended debt is included in the Emergency Services Vehicles account, an account designated for the purchase of replacement fire and rescue vehicles which are then leased to one of the Town's three volunteer fire and rescue services.

The Town's programs for road rehabilitation and for purchasing fire and rescue vehicles are ongoing and multi-year. Looking forward, the Town will continue to assess the needs to upgrade the infrastructure at Mitchell Field, a major asset with business development possibilities, and consider the potential for constructing a boat launch at that field. Additionally, the Town must evaluate the possible sale of the former West Harpswell School property in concert with proposals for its use, if ownership is retained. Finally, the Town must plan for the construction of a garage space, which at a minimum, would house the vehicle used by the contracted paramedic proposed for 2012. Expansion of the space to respond to other current or future needs must be considered. Each of these projects will be costly and may require borrowings.

Capital Assets, net of depreciation

	Capital Assets		Accumulated Depreciation		Capital Assets, net of depreciation	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$2,178,423	\$2,028,423			\$2,178,423	\$2,028,423
Construction in progress	38,835	3,461			38,835	3,461
Other non-depreciable assets	335,900				335,900	
Buildings and building improvements	4,146,070	4,064,818	(1,789,708)	(1,652,203)	2,356,362	2,412,615
Equipment and furniture	1,582,564	1,199,729	(507,419)	(420,564)	1,075,145	779,165
Infrastructure	6,652,881	6,642,781	(2,577,080)	(2,441,357)	4,075,801	4,201,424
Total capital assets	\$14,934,673	\$13,939,212	\$(4,874,207)	\$(4,514,124)	\$10,060,466	\$9,425,088

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

In August 2011, the Town voted to accept the West Harpswell School property from M.S.A.D. 75 after previously having voted to close this school. The property, which consists of land, buildings and certain other assets, primarily artwork, has been recorded in the Statement of Net Assets at the fair market values of those assets at the time of the acceptance; \$150,000, \$229,000 and \$106,900, respectively. The land and other assets are not being depreciated as they are not exhaustible assets. The building is currently classified as a non-depreciable asset and will be depreciated only if there is a Town meeting decision to retain ownership and utilize it.

Construction in progress at the end of 2011 represents engineering costs incurred for a major capital road project on Orr's Island, originally expected to be completed in 2011. During 2011, \$800,000 was borrowed to finance this project, among others, and the borrowing was supplemented with \$200,000 appropriated directly from fund balance. The Town has entered into a contract in the amount of \$531,018 for the Orr's Island project, with work expected to begin in the Spring of 2012.

2011 additions to Buildings and Building Improvements include \$66,264 in energy improvements to the Town office, the recycling center and the building occupied by Harpswell Community Television. The improvements included lighting upgrades, heating system retrofits, hot water improvements, and insulation upgrades. At the recycling center, the improvements included upgrades to the power supply for certain equipment. All of the energy improvements were funded with Federal grant monies. Also included in Buildings and Building Improvements at the end of 2011 was \$14,988 in improvements to the HVAC system at the Town office. Half of the cost of these improvements was funded with State grant monies.

Equipment, vehicles and furniture increased during 2011 as the Town purchased a compressed air foam system pumper truck for \$362,335, which it has leased to the Harpswell Neck Fire & Rescue Department. The lease provides for no payments to the Town, however, the Department is obligated to pay for the maintenance of and insurance for the vehicle. The Town also purchased in 2011, two cameras for use by Harpswell Community Broadcasting (\$8,098) and a repeater installed in preparation for the change to narrowband communication (\$3,469). Additionally, 2011 equipment additions included \$15,143 at the recycling center for the purchase of a new roll-off container and the replacement of the backhoe bucket.

In 2011, the Town constructed a new dry hydrant in the Cundy's Harbor area at a cost of \$10,100.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The overall economic climate, while improving, remains uncertain. The Town is sensitive to limiting the burden on its taxpayers during a sluggish and unpredictable economic recovery and has been able to keep the tax rate from increasing over the last several years, primarily as a result of the decrease in Harpswell's payment to MSAD # 75 and the municipal budget remaining essentially flat.

The 2012 tax rate is likely to remain at the same level as prior year for several reasons: 1) The school district's assessment, while increasing for the latter half of 2012, is still expected to be below the total assessment for calendar year 2011. 2) Harpswell's portion of the county assessment is predicted to remain flat. 3) Proposed increases in the 2012 municipal budget, attributable primarily to two main areas—increased paramedic level services including the need for a garage and the operation of West Harpswell School—will likely be offset by the availability of fund balance to reduce the tax commitment.

2011 revenues came in above forecast. Similar projections have been made, at least preliminarily, for 2012 with the expectation that the total revenue forecast at year's end will be met. The Town's use of conservative revenue estimates has been a sound budgeting practice.

Real estate values, particularly waterfront, appear to be holding; however the rate at which new value is added to the Town's valuation base is slowing down, and it is currently anticipated that the Town will add only \$6 million dollars of new value in 2012. Not surprisingly, new housing starts have been on a decline over the last several years.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

In 2012, the Town will consider taking on more debt for capital road construction. With interest rates at historically low levels, it is an opportune time for funding long-term investments by bonding. There are other potential bonding projects on the horizon including infrastructure upgrades and the construction of a recreational boat launch facility, both at Mitchell Field.

The Town continues to maintain a healthy unassigned fund balance at the level of three month's worth of prior year expenditures. Consistent with this policy, approximately \$420,000 is available in 2012 to offset the collection of property taxes and/or fund special projects or reserves, still leaving a balance of just under \$2.9 million to fund expenses until a tax anticipation borrowing occurs in the Spring.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designated to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact the Selectmen's Office at P. O. Box 39, 263 Mountain Road, Harpswell, Maine 04079-0039 or by phone at (207) 833-5771.

BASIC FINANCIAL STATEMENTS

TOWN OF HARPSWELL, MAINE
Statement of Net Assets
December 31, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,301,409
Receivables:	
Taxes	523,403
Liens	66,525
Accounts	64,265
Prepaid items	23,040
Capital assets:	
Capital assets, not being depreciated	2,553,158
Other capital assets, net of accumulated depreciation	7,507,308
Total assets	16,039,108
LIABILITIES	
Accounts payable and other current liabilities	80,851
Accrued interest	13,351
Noncurrent liabilities:	
Due within one year	353,333
Due in more than one year	2,209,735
Total liabilities	2,657,270
NET ASSETS	
Invested in capital assets, net of related debt	8,611,187
Restricted for:	
Capital projects and grants	1,744,973
Unrestricted	3,025,678
Total net assets	\$ 13,381,838

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Statement of Activities
For the year ended December 31, 2011

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets
		Charges for services	Operating grants and contributions	Capital grants and contributions	
					Governmental activities
Governmental activities:					
General government	\$ 1,231,685	-	-	-	(1,231,685)
Public works	1,033,349	209,943	49,050	-	(774,356)
Protection and safety	837,326	-	-	-	(837,326)
Health and welfare	31,943	-	9,814	-	(22,129)
Cultural and recreation	295,669	39,447	-	-	(256,222)
Education	6,769,941	-	-	-	(6,769,941)
County taxes	1,113,908	-	-	-	(1,113,908)
Overlay/abatements	6,363	-	-	-	(6,363)
Interest on long-term debt	85,747	-	-	-	(85,747)
Capital and special projects	340,967	-	110,310	-	(230,657)
Total governmental activities	11,746,898	249,390	169,174	-	(11,328,334)

General revenues:

Property taxes, levied for general purposes	10,197,320
Excise taxes	946,646
Interest and fees on property taxes	21,942
Intergovernmental	183,617
Investment earnings	10,725
Miscellaneous	300,189
Donation of West Harpswell School property	485,900
Total general revenues	12,146,339

Change in net assets 818,005

Net assets - beginning 12,563,833

Net assets - ending \$ 13,381,838

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Balance Sheet
Governmental Funds
December 31, 2011

	General	Road Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,301,409	-	-	5,301,409
Receivables:				
Taxes	523,403	-	-	523,403
Liens	66,525	-	-	66,525
Other	64,265	-	-	64,265
Interfund receivables	-	1,016,420	749,906	1,766,326
Prepaid expenditures	23,040	-	-	23,040
Total assets	\$ 5,978,642	1,016,420	749,906	7,744,968
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other liabilities	64,521	-	-	64,521
Taxes paid in advance	11,780	-	-	11,780
Deferred revenues	338,550	-	-	338,550
Interfund payables	1,766,326	-	-	1,766,326
Total liabilities	2,181,177	-	-	2,181,177
Fund balances:				
Nonspendable:				
Prepaid Insurance	23,040	-	-	23,040
Restricted:				
Capital projects and grants	-	1,016,420	728,553	1,744,973
Committed:				
West Harpswell School	4,647	-	-	4,647
Assigned:				
General fund	476,688	-	-	476,688
Recreation	-	-	21,353	21,353
Unassigned	3,293,090	-	-	3,293,090
Total fund balances	3,797,465	1,016,420	749,906	5,563,791
Total liabilities and fund balances	\$ 5,978,642	1,016,420	749,906	

Amounts reported for governmental activities in the statement of net assets (Statement 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,060,466
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	334,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	
Bonds payable	(2,541,668)
Compensated absences payable	(21,400)
Accrued interest	(13,351)

Net assets of governmental activities **\$ 13,381,838**

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2011

	General	Road Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 11,165,908	-	-	11,165,908
Intergovernmental	242,481	-	110,310	352,791
Fines and violations	1,000	-	-	1,000
Miscellaneous	514,821	-	44,483	559,304
Total revenues	11,924,210	-	154,793	12,079,003
Expenditures:				
Current:				
General government	1,144,206	-	-	1,144,206
Public works	827,963	-	-	827,963
Protection and safety	781,529	-	-	781,529
Health and welfare	31,943	-	-	31,943
Cultural and recreation	231,445	-	47,137	278,582
Education	6,769,941	-	-	6,769,941
County taxes	1,113,908	-	-	1,113,908
Overlay/abatements	6,363	-	-	6,363
Debt service	427,612	-	-	427,612
Capital and special projects	154,252	221,480	476,597	852,329
Total expenditures	11,489,162	221,480	523,734	12,234,376
Excess (deficiency) of revenues over (under) expenditures	435,048	(221,480)	(368,941)	(155,373)
Other financing sources (uses):				
Proceeds from long-term debt	800,000	-	-	800,000
Transfers (to) from other funds	(1,207,250)	1,000,000	207,250	-
Total other financing sources (uses)	(407,250)	1,000,000	207,250	800,000
Net change in fund balances	27,798	778,520	(161,691)	644,627
Fund balances, beginning of year	3,769,667	237,900	911,597	4,919,164
Fund balances, end of year	\$ 3,797,465	1,016,420	749,906	5,563,791

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended December 31, 2011

Net change in fund balances - total governmental funds (from Statement 4)	\$ 644,627
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital outlays, net	511,362
Depreciation expense.	(361,884)
The receipt of donated capital assets is not reported on the fund statements, but is reported as a general revenue on the government wide statements (West Harpswell School assets).	
	485,900
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This represents the net proceeds (\$800,000) net of the repayments (\$343,333).	
	(456,667)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in accrued compensated absences.	
	(3,865)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund financial statements since future repayment does not require the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	(1,468)
Change in net assets of governmental activities (see Statement 2)	\$ 818,005

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended December 31, 2011

	Budgeted amounts			Variance with final budget positive (negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 11,169,165	11,169,165	11,165,908	(3,257)
Intergovernmental	203,221	203,221	242,481	39,260
Fines and violations	-	-	1,000	1,000
Miscellaneous	476,000	476,000	514,821	38,821
Total revenues	11,848,386	11,848,386	11,924,210	75,824
Expenditures:				
Current:				
General government	1,213,686	1,214,876	1,144,206	70,670
Public works	875,817	875,817	827,963	47,854
Protection and safety	791,368	791,368	781,529	9,839
Health and welfare	33,730	33,730	31,943	1,787
Cultural and recreation	234,096	234,096	231,445	2,651
Education	6,769,941	6,769,941	6,769,941	-
County taxes	1,113,908	1,113,908	1,113,908	-
Overlay/abatements	117,040	117,040	6,363	110,677
Debt service	433,500	433,500	427,612	5,888
Capital and special projects	258,050	576,470	154,252	422,218
Total expenditures	11,841,136	12,160,746	11,489,162	671,584
Excess (deficiency) of revenues over (under) expenditures	7,250	(312,360)	435,048	747,408
Other financing sources (uses):				
Proceeds from long-term debt	800,000	800,000	800,000	-
Transfer to / from other funds	(1,207,250)	(1,207,250)	(1,207,250)	-
Budgeted use of undesignated fund balance	400,000	400,000	-	(400,000)
Budgeted use of carryforward balances	-	368,745	-	(368,745)
Budgeted use of contingency	-	(49,135)	-	49,135
Total other financing sources (uses)	(7,250)	312,360	(407,250)	(719,610)
Net change in fund balance	-	-	27,798	27,798
Fund balance, beginning of year			3,769,667	
Fund balance, end of year		\$	3,797,465	

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

THE REPORTING ENTITY

The Town of Harpswell, incorporated on January 25, 1758, currently operates under a Town Meeting-Selectmen form of government with a Town Administrator as the chief administrator of the Town. The Board consists of three members elected by the registered voters for three year terms.

In evaluating the Town as a reporting entity, management has addressed all potential component units for which the Town may or may not be financially accountable and, as such, be includable within the Town's basic financial statements. In accordance with GASB No. 14, as amended by GASB No. 39, the Town (the primary government) is financially accountable if it appoints a voting majority of the organizations governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Based on the application of these criteria, there are no other entities within the Town that should be included as part of these basic financial statements.

The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds (if any) are reported as separate columns in the fund financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The road projects fund accounts for financial resources used in major road rehabilitation projects.

Additionally, the Town reports several nonmajor funds in the following fund categories:

Special revenue funds account for the proceeds of specific sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary or trust funds).

C. Budgetary Accounting

Each year a budget is adopted for the General Fund only, and is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The level of control (level at which expenditures may not exceed budget) is the Town meeting warrant article level.

The Town Meeting adopts the annual budget in March of that budget year and, accordingly, the previous year's Town Meeting authorizes the Board of Selectmen to spend 25% of the previous year's budget in the first three months of the current year.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Generally, all unexpended budgetary accounts lapse at the close of the fiscal year. However, portions of the General Fund fund equity can be assigned for future periods by the Selectmen. A comparison of budget to actual is presented in the financial statements on Statement 6. The difference between original budget and final budget amounts represent approved carryovers from prior years.

D. Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Town policy is that deposits can only be made in financial institutions insured by the F.D.I.C. or collateralized by the depository institution in the Town's name. The Town invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid and attain a reasonable market rate of return, while remaining within the guidelines approved by the Board of Selectmen.

E. Inventories of Supplies

Inventories of supplies are considered to be expenditures at the time of purchase rather than when consumed, and are not included in the general fund balance sheet.

F. Short-term Interfund Receivables/Payables

During the course of normal operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "interfund receivables or payables" on the balance sheet.

During the course of normal operations, the Town has transactions between funds including expenditures and transfers of resources to provide resources, construct assets and service debt. These transactions, if any, are reported as transfers.

G. Capital Assets

Capital assets, which include property, plant, equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Straight-line depreciation is used based on the following estimated useful lives:

Buildings and building improvements	25 to 50 years
Infrastructure	20 to 50 years
Equipment, vehicles and furniture	5 to 30 years

Capital assets, not being depreciated includes land, construction in process and the West Harpswell School property. The West Harpswell School building and other assets are not being depreciated as they are not exhaustible assets. The building will be depreciated only if there is a Town Meeting decision to retain ownership and utilize it.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

H. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. The face amount of debt is reported as other financing sources.

I. Fund Equity

In 2011, the Town adopted GASB 54, which changed the way in which governmental fund balances are reported.

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.

Assigned – resources that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the Town's intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the Town's intent to use committed or assigned resources first, and then unassigned resources as they are needed.

J. Fund Balance

It is the Town's policy that its year end general fund balance equal 25% of the expenditures of the previous year. Any amount in excess of this fund balance may be used to reduce the following year's tax commitment. Further, any restricted fund balance shall not be expended for other than the stated restricted purpose.

K. Comparative Data

Comparative total data for the prior period have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. Compensated Absences

Under terms of personnel policies of the Town, vacation leave is granted in varying amounts according to length of service. No sick leave is granted at the time of employee termination. Unused vacation leave is reported in the government-wide financial statements. No expenditure is reported for this amount on the fund financial statements unless due and payable.

M. Use of Estimates

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal policy with respect to custodial credit risk. As of December 31, 2011, the Town reported deposits of \$5,301,409 with a bank balance of \$5,330,997. None of the Town's bank balances were exposed to custodial credit risk, as \$2,107,802 was collateralized by an irrevocable stand-by letter of credit and the remainder by FDIC insurance.

PROPERTY TAX

The Town's property taxes for the current year were committed on August 8, 2011, on the assessed value listed as of April 1 for all real and personal property located in the Town. Taxes were due on September 15, 2011 and December 15, 2011; interest was charged at 6% on all unpaid taxes after those dates. Assessed values are periodically established by the Assessor at 100% of assumed market value. The Town has a certified ratio of 92%. The following summarizes the 2011 and 2010 levy:

	<u>2011</u>	<u>2010</u>
Assessed value:		
Real property	\$1,754,017,800	1,750,847,360
Personal property	4,114,100	3,604,400
Total valuation	1,758,131,900	1,754,451,760
Tax rate (per \$1,000)	5.80	6.00
Tax commitment	10,197,165	10,526,710
Less: collections and abatements (net of supplements)	(9,673,762)	(10,080,412)
Taxes receivable at December 31	\$ 523,403	446,298

Due date(s)	½ September 15, 2011 ½ December 15, 2011	½ September 15, 2010 ½ December 15, 2010
Interest rate on delinquent taxes	6.00%	6.00%
Collection rate	94.87%	95.76%

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

PROPERTY TAX, CONTINUED

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$117,040 for the year ended December 31, 2011. Property taxes levied during the year are recorded as receivables at the time the levy is made. The receivables collected during the year and in the first sixty days following the end of the fiscal year are recorded as revenues. The remaining receivables are recorded as deferred revenues.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Property acquired by foreclosure for nonpayment of taxes is recorded at the amount of expired tax liens plus the costs involved in foreclosure. Liens and any current taxes on the same period are not included as part of the tax acquired property account until expiration of statutory time limits.

INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables balances at December 31, 2011, were as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	1,766,326
Special Revenue Funds:		
Restricted grants	2,536	-
Recreation	21,353	-
Capital Projects Fund:		
Emergency vehicle	726,017	-
Road projects	1,016,420	-
Totals	\$1,766,326	1,766,326

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>December 31, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31, 2011</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,028,423	150,000	-	2,178,423
Construction in progress	3,461	35,374	-	38,835
Other non-depreciable assets	-	335,900	-	335,900
Total capital assets not being depreciated	2,031,884	521,274	-	2,553,158
Capital assets, being depreciated:				
Buildings and improvements	4,064,818	81,252	-	4,146,070
Equipment, vehicles and furniture	1,199,729	389,045	6,210	1,582,564
Infrastructure	6,642,781	10,100	-	6,652,881
Total capital assets being depreciated	11,907,328	480,397	6,210	12,381,515

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

Less accumulated depreciation for:				
Buildings and improvements	1,652,203	137,505	-	1,789,708
Equipment, vehicles and furniture	420,564	88,656	1,801	507,419
Infrastructure	2,441,357	135,723	-	2,577,080
Total accumulated depreciation	4,514,124	361,884	1,801	4,874,207
Total capital assets being depreciated, net	7,393,204	118,513	4,409	7,507,308
Governmental activities capital assets, net	\$ 9,425,088	639,787	4,409	10,060,466

In August 2011, the Town voted to accept the West Harpswell School property from M.S.A.D. 75 after previously having voted to close this school. The property, which consists of land, buildings and certain other assets, primarily artwork, has been recorded in the Statement of Net Assets at the estimated fair market values of those assets at the time of the acceptance; \$150,000, \$229,000 and \$106,900, respectively. The land and other assets are not being depreciated as they are not exhaustible assets. The building will be depreciated only if there is a Town meeting decision to retain ownership and utilize it.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 83,614
Public works	205,386
Protection and safety	55,797
Cultural and recreation	17,087

Total depreciation expense – governmental activities \$ 361,884

Equipment with a cost of \$895,650 and accumulated depreciation of \$112,488 has been leased under 10 or 20 year agreements to the three independent fire and rescue departments serving the Town. The cost of insuring and maintaining the vehicles is borne by the departments.

SHORT-TERM DEBT

Tax Anticipation Note

Under the authority of Title 30-A, Section 5771 of the Maine Revised Statutes, as amended, a resolution was adopted by the Board of Selectmen at their May 5, 2011 meeting authorizing the Treasurer to borrow \$2,515,000 to be due on or before December 31, 2011. The total amount was drawn in May, and the outstanding principal and interest was paid before December 31, 2011. The total interest paid on this note was \$13,906. Since there is no beginning or ending balance at December 31, 2010 and 2011, it has not been included in the debt note which follows.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2011, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable	\$ 2,085,001	800,000	343,333	2,541,668	353,333
Compensated absences payable	17,534	38,422	34,556	21,400	-
Governmental activity					
long-term liabilities	\$ 2,102,535	838,422	377,889	2,563,068	353,333

Bonds Payable

Bonds payable at December 31, 2011 are comprised of the following:

	<u>Issue date</u>	<u>Maturity date</u>	<u>Amount issued</u>	<u>Interest rate</u>	<u>Balance December 31, 2011</u>
Governmental activities:					
2004 Capital Roads, Old Town					
Meetinghouse restoration:	10/28/04	11/01/16	700,000	1.00-9.00%	291,668
2008 Emergency vehicles	10/30/08	11/01/18	500,000	2.075-5.575%	375,000
2009 Ash Point road rehab	05/28/09	11/01/19	650,000	2.08-5.58%	520,000
2009 Emergency comm equip	11/04/09	11/04/12	40,000	2.85%	15,000
2010 Emergency vehicles	10/28/10	11/01/20	600,000	2.00-5.50%	540,000
2011 Capital road project	05/26/11	11/01/21	800,000	2.12-5.62%	800,000
Total bonds payable					\$ 2,541,668

The annual requirements to amortize all debt outstanding as of December 31, 2011 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	353,333	78,979	432,312
2013	313,333	66,310	379,643
2014	313,334	50,826	364,160
2015	313,334	39,835	353,169
2016	313,334	30,551	343,885
2017-2021	935,000	57,348	992,348
Total	\$ 2,541,668	323,849	2,865,517

All governmental activities long-term debt requirements are paid by the general fund.

STATUTORY DEBT LIMIT

The laws of the State of Maine limit types of municipal borrowing to specific percentages of the State valuation of the municipality. At December 31, 2011, the Town was in compliance with these restrictions.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

OVERLAPPING DEBT

The Town's proportionate share of debt of all local government units which provide services within the Town's boundaries, and which must be borne by properties in the Town is summarized as follows:

<u>Units</u>	<u>Net debt outstanding at December 31, 2011</u>	<u>Percentage applicable to the Town</u>	<u>Town's proportionate share of debt</u>
Cumberland County	\$ 1,360,000	4.93%	67,102
MSAD 75 / RSU 75	15,268,349	38.96%	5,948,121

The Town's proportionate share of the County and District debt is paid through annual assessments.

INTERFUND TRANSFERS

Individual fund transfers for the year ended December 31, 2011 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
<u>General fund</u>	\$ -	1,207,250
Special revenue funds:		
Recreation	7,250	-
<u>Total special revenue funds</u>	<u>7,250</u>	<u>-</u>
Capital projects fund:		
Emergency vehicle	200,000	-
Road projects	1,000,000	-
<u>Total capital projects fund</u>	<u>1,200,000</u>	<u>-</u>
<u>Total transfers</u>	<u>\$1,207,250</u>	<u>1,207,250</u>

These transfers were budgeted transfers to fund certain activities.

BUDGETED USE OF SURPLUS

During the year ended December 31, 2011, the Town budgeted to utilize prior year unassigned fund balance as a budgeted use of surplus. The amount consists of the following:

2010 carry forward balance	\$368,745
Use of surplus – current year:	
Capital roads	200,000
West Harpswell School	25,000
Reduction of tax commitment	175,000
<u>Total</u>	<u>\$768,745</u>

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

RESTRICTED GRANTS

The Town classifies grant awards as restricted grants in the Town's special revenue fund. The December 31, 2011 fund balance of restricted grants consisted of the following awards:

<u>Grant Award</u>	Balance beginning of year	Revenues	Expenditures	Balance end of year
Planning brochures	\$ 252	-	-	252
Right of way	35	2,500	1,161	1,374
Mitchell Field Boat Ramp	-	20,000	20,000	-
Harbor Management Plan	1,201	-	841	360
Davis Conservation Fund	5,000	-	4,450	550
CDBG Weatherization	-	7,300	7,300	-
Mitchell Field Community Garden	-	2,872	2,872	-
MMA safety	-	1,065	1,065	-
Energy Efficiency Initiative	-	69,079	69,079	-
Efficiency Maine	-	7,494	7,494	-
Total restricted grants	\$6,488	110,310	114,262	2,536

ASSIGNED FUND BALANCES

At December 31, 2011, assigned fund balance consisted of the following:

<u>Fund</u>	Assigned <u>balance</u>
Appropriation carryovers:	
Dry hydrants development reserve	\$5,590
Contracted Services: Town Planner	1,190
Legislative assistance agent	1,800
Land acquisition	1,279
Vehicles & equipment replacement	66,500
HCBC digital conversion	25,000
Boat/motor replacement	38,000
Voting machines	12,300
Heating assistance reserve	1,296
Generator replacement	41,000
Town Office & facilities improvements	44,000
Self-insurance reserve	1,341
Marine hazards	3,522
Failed septic system reserve	12,649
Recycling	47,619
Vision/assessing	20,235
Mitchell Field - other	1,672
Mitchell Field – Infrastructure	18,840
FEMA assistance	4,186
Energy Conservation	2,502
Emergency services equipment	1,521

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

ASSIGNED FUND BALANCES, CONTINUED

Local Circuit Breaker Reserve	37,533
Conservation Fund	5,000
Public, educational and governmental equipment	2,902
Office equipment	2,705
Hildreth Road property	3,650
Community Development	221
Designated revenues:	
Heating assistance	8,968
Swim donations	3,491
Public, educational and governmental equipment	6,000
Cable related technology	5,400
Plus contingency	48,776
Total assigned fund balance – General Fund	\$476,688

NET ASSETS

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net assets invested in capital assets, net of related debt was calculated as follows at December 31, 2011:

Capital assets	\$ 14,934,673
Accumulated depreciation	(4,874,207)
Bonds payable	(2,541,668)
Unspent proceeds	1,092,389
Total invested in capital assets net of related debt	\$ 8,611,187

RISK MANAGEMENT

The Town is exposed to various risks of loss torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association for Workers' Compensation coverage. Based on these coverages, no known liabilities exist at December 31, 2011.

CONTINGENT LIABILITIES

Litigation - The Town is subject to certain legal proceedings which arise in the normal course of business. In the opinion of management, the Town has defensible positions in any/all pending cases. Further, any future liabilities are covered by insurance or will not materially affect the financial position of the Town.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

CONTINGENT LIABILITIES, CONTINUED

State and Federal Grants - The Town participates in numerous state and federal programs which are governed by various rules and regulations imposed by the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any moneys received may be required. There are no material contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS) - CONSOLIDATED RETIREMENT PENSION PLAN

Description of the Plan - The Town contributes to the Maine Public Employees Retirement System Consolidated Plan, a cost sharing multiple-employer retirement system established by the Maine State Legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The contribution rates of plan members and the Town of Harpswell are established and may be amended by the Maine Public Employees Retirement Board of Trustees. The Town's contributions to the Maine Public Employees Retirement System Consolidated Plan for the year ended December 31, 2011 and 2010 were \$5,709 and \$4,472, respectively, equal to the required contributions.

Effective March 14, 1998, this benefit is no longer available to new Town employees. Those employees already in the plan may continue under the same terms or may terminate and join the deferred compensation plan.

DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the International City Management Association Retirement Corporation.

The deferred compensation plan is available to all full and regular part time employees of the Town who work 20 hours or more per week on a regularly scheduled basis and who are not already participating in another plan. Under the plan, employees may elect to defer a portion of their salary and avoid paying income taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The Town's computed contribution to this plan for the year ended December 31, 2011 and 2010 was \$18,307 and \$18,054, respectively. Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

RETIREMENT PLAN – RECYCLING CENTER EMPLOYEES

The Town offers its recycling center employees a pension plan through the I.A.M. National Pension Fund.

The Town contributes on behalf of eligible employees of the recycling center who have worked during the plan year. There are no voluntary contributions by the employees allowed in this plan. The Town's expense under the plan for the year ended December 31, 2011 and 2010 was \$15,437 and \$15,475, respectively.

The funds contributed by the Town to the plan are held in trust by the I.A.M. National Pension Fund for the exclusive use of benefit participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

COMMITMENTS

On September 15, 2011, the Town contracted for the construction of a 2,000 gallon tank truck for the amount of \$209,022. The vehicle is expected to be completed mid 2012 and will be leased to the Orr's/Bailey Islands Fire & Rescue Department. The purchase of this vehicle is part of an ongoing effort by the Town to fund the emergency vehicle purchases for the three independent fire and rescue departments serving the Town.

On October 27, 2011, the Town entered into an agreement with Harry C. Crooker & Sons, Inc. for the reconstruction of certain Town roads (Lowell's Cove, Little Island and Lane) in the amount of \$531,018, which project is to begin in the spring of 2012.

Funds for both contracts are included in capital projects.

Additionally, at December 31, 2011, the Town was obligated under contracts for law enforcement, marine patrol, emergency dispatch and snow removal services in amounts totaling \$362,655.

GENERAL FUND

The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid through other funds.

TOWN OF HARPSWELL, MAINE
Comparative Balance Sheets
General Fund
December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 5,301,409	4,753,652
Receivables:		
Taxes	523,403	446,298
Tax liens and acquired properties	66,525	76,049
Other	64,265	59,604
Prepaid items	23,040	13,584
Total assets	\$ 5,978,642	5,349,187
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and other liabilities	64,521	75,345
Taxes paid in advance	11,780	18,178
Deferred revenues	338,550	336,500
Interfund payables:		
Special Revenue	23,889	28,281
Capital Projects	1,742,437	1,121,216
Total liabilities	2,181,177	1,579,520
Fund balances:		
Nonspendable:		
Prepaid Insurance	23,040	13,584
Committed:		
West Harpswell School	4,647	-
Assigned:		
General fund	476,688	368,744
Unassigned	3,293,090	3,387,339
Total fund balance	3,797,465	3,769,667
Total liabilities and fund balance	\$ 5,978,642	5,349,187

TOWN OF HARPSWELL, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis of Accounting)
For the year ended December 31, 2011

	Budgeted amounts		Actual	Variance positive (negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 10,197,165	10,197,165	10,197,320	155
Interest and fees on property taxes	30,000	30,000	21,942	(8,058)
Excise taxes and registration fees	942,000	942,000	946,646	4,646
Total taxes	11,169,165	11,169,165	11,165,908	(3,257)
Intergovernmental:				
State revenue sharing	100,000	100,000	122,336	22,336
Local road assistance URIP	50,000	50,000	49,050	(950)
Homestead exemption and BETE	41,221	41,221	42,751	1,530
Tree growth	2,000	2,000	11,403	9,403
General assistance	6,000	6,000	9,814	3,814
Veterans exemption	2,000	2,000	3,211	1,211
Maine - FEMA	-	-	624	624
Other	2,000	2,000	3,292	1,292
Total intergovernmental	203,221	203,221	242,481	39,260
Fines and violations	-	-	1,000	1,000
Miscellaneous:				
Interest earned	20,000	20,000	10,725	(9,275)
Copies and records	3,000	3,000	4,610	1,610
Cable TV franchise fee	60,000	60,000	65,534	5,534
Cable technology & capital equip.	-	-	11,400	11,400
Licenses, fees and permits	148,000	148,000	160,810	12,810
Recycling center and disposal fees	215,000	215,000	209,943	(5,057)
Donations and gifts	8,000	8,000	19,210	11,210
Sale of property	1,300	1,300	10,777	9,477
Tower lease	18,000	18,000	18,818	818
Unclassified	2,700	2,700	2,994	294
Total miscellaneous	476,000	476,000	514,821	38,821
Total revenues	11,848,386	11,848,386	11,924,210	75,824

TOWN OF HARPSWELL, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis of Accounting), Continued
For the year ended December 31, 2011

Article #	Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
			Original	Final			
Expenditures:							
General government:							
21	Elected officials	\$ -	120,962	120,962	119,487	1,475	-
General administration:							
22	Administration	-	259,248	259,248	245,153	14,095	-
22	Public information	-	9,000	9,000	5,008	3,992	-
22	Risk management	-	52,141	52,141	50,558	1,583	-
22	Legal services	-	40,000	40,000	35,936	4,064	-
23	Memberships	-	17,418	17,418	16,669	749	-
24	Assessing	-	81,600	81,600	76,578	5,022	-
25	Tax collector's office	-	34,123	34,123	33,707	416	-
26	Town clerk's office	-	45,552	45,552	41,674	3,878	-
27	Treasurer	-	1,750	1,750	1,269	481	-
28	Code enforcement	-	92,315	92,315	85,152	7,163	-
29	Planning	1,190	74,513	75,703	66,922	8,781	1,190
30	Employee benefits	-	290,759	290,759	280,870	9,889	-
31	Boards and committees	-	5,405	5,405	3,127	2,278	-
Operations and maintenance:							
32	Municipal buildings and property	-	62,900	62,900	59,983	2,917	-
32	Old town house and commons	-	11,500	11,500	9,725	1,775	-
32	Town dock	-	3,000	3,000	2,465	535	-
32	Town landings	-	11,500	11,500	9,923	1,577	-
Total general government		1,190	1,213,686	1,214,876	1,144,206	70,670	1,190
Public works:							
33	Snow removal	-	398,973	398,973	388,133	10,840	-
33	Maintenance	-	100,000	100,000	96,544	3,456	-
33	Road, street signs	-	2,000	2,000	986	1,014	-
34	Recycling and transfer station	-	374,844	374,844	342,300	32,544	-
Total public works		-	875,817	875,817	827,963	47,854	-
Protection and safety:							
35,36	Emergency services	-	207,070	207,070	202,259	4,811	-
37	Emergency medical services planning	-	3,500	3,500	3,610	*(110)	-
38	Street lighting	-	27,000	27,000	25,242	1,758	-
39	Harbor management	-	39,026	39,026	39,275	*(249)	-
40	Animal control	-	23,947	23,947	22,505	1,442	-
41	Law enforcement and communication	-	318,536	318,536	318,536	-	-
41	Shellfish conservation enforcement	-	172,289	172,289	170,102	2,187	-
Total protection and safety		-	791,368	791,368	781,529	9,839	-
Health and welfare:							
42	Health and welfare	-	33,730	33,730	31,943	1,787	-
Total health and welfare		-	33,730	33,730	31,943	1,787	-
Cultural and recreation:							
43	Cultural and education programs	-	35,563	35,563	35,510	53	-
3	Curtis Memorial Library	-	114,988	114,988	114,988	-	-
44	Harpswell community broadcasting	-	58,000	58,000	58,000	-	-
45	Recreation - general	-	25,545	25,545	22,947	2,598	-
Total cultural and recreation		-	234,096	234,096	231,445	2,651	-

* Contingency transfer approved by selectmen to cover emergency medical services strategic planning (\$110)

* Contingency transfer approved by selectmen to cover harbor management (\$249)

TOWN OF HARPSWELL, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis of Accounting), Continued
For the year ended December 31, 2011

Article #	Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward	
		Original	Final					
Expenditures, continued:								
CF, 51	A. Dennis Moore Recycling / Transfer St.	39,293	25,000	64,293	16,674	47,619	47,619	
Other capital / carryovers / reserves:								
CF	Joyce Brown Swim fund	3,651	-	3,651	-	3,651	3,491	**
CF	Dry hydrant development	15,690	-	15,690	10,100	5,590	5,590	
CF	Land acquisition	1,279	-	1,279	-	1,279	1,279	
CF, 51	Vehicle replacement & vehicle equipment	41,500	25,000	66,500	-	66,500	66,500	
CF	Update of assessing records	20,235	-	20,235	-	20,235	20,235	
CF	HCBC digital conversion	25,000	-	25,000	-	25,000	25,000	
CF, 51	Emergency communication equipment	1,990	3,000	4,990	3,469	1,521	1,521	
52	Orr's Island Library	-	15,000	15,000	15,000	-	-	
CF, 51	Boat and motor replacement	32,000	6,000	38,000	-	38,000	38,000	
CF	Voting machines	12,300	-	12,300	-	12,300	12,300	
CF	Generator replacement	41,000	-	41,000	-	41,000	41,000	
CF, 51	T/O & Facilities Improvements	28,000	16,000	44,000	-	44,000	44,000	
51	Office equipment	-	5,000	5,000	2,295	2,705	2,705	
61	Conservation fund	-	5,000	5,000	-	5,000	5,000	
64	Cable related technology account	-	-	-	-	-	5,400	
62, 63	Public, educational & governmental equip	-	11,000	11,000	8,098	2,902	8,902	***
CF	Legislative agent	4,000	-	4,000	2,200	1,800	1,800	
CF	Community development/Welcome signs	3,480	-	3,480	3,259	221	221	
CF	Self insurance reserve	2,221	-	2,221	880	1,341	1,341	
CF, 47	Heating assistance	14,595	5,000	19,595	18,299	1,296	10,264	***
CF	Marine hazards	3,522	-	3,522	-	3,522	3,522	
CF, 48	Failed septic systems	7,649	5,000	12,649	-	12,649	12,649	
CF, 60	Town Line Boundary	875	10,000	10,875	7,154	3,721	-	
CF, 50	FEMA Consultant	575	5,000	5,575	1,389	4,186	4,186	
CF	Energy Conservation	10,000	-	10,000	7,498	2,502	2,502	
20	Property tax assistance program	-	60,000	60,000	22,467	37,533	37,533	
49	Hildreth Road wetland delineation & survey	-	6,000	6,000	2,350	3,650	3,650	
58	Mitchell Field - infrastructure/demolition	-	20,000	20,000	1,160	18,840	18,840	
CF	Mitchell Field - other	3,065	-	3,065	1,393	1,672	1,672	
CF	Mitchell Field - deeds & legal	6,500	-	6,500	-	6,500	-	
57	Mitchell Field - operations	-	8,650	8,650	7,814	836	-	
STM	West Harpswell School - Env Phase I	-	2,400	2,400	2,400	-	-	
STM	West Harpswell School - operations	-	25,000	25,000	20,353	4,647	4,647	
Total capital and special projects		318,420	258,050	576,470	154,252	422,218	431,369	
56	Debt service	-	433,500	433,500	427,612	5,888	-	
CF	Contingency	49,135	-	49,135	-	49,135	48,776	
Total budgeted expenditures		368,745	3,840,247	4,208,992	3,598,950	610,042	481,335	
Other expenditures:								
Educational appropriation		-	6,769,941	6,769,941	6,769,941	-	-	
County tax		-	1,113,908	1,113,908	1,113,908	-	-	
Overlay / abatements		-	117,040	117,040	6,363	110,677	-	
Total other expenditures		-	8,000,889	8,000,889	7,890,212	110,677	-	
Excess (deficiency) of revenues over (under) expenditures		(368,745)	7,250	(361,495)	435,048	796,543	(481,335)	
Other financing sources (uses):								
55	Proceeds from long-term debt	-	800,000	800,000	800,000	-	-	
53	Transfer to Capital Projects - emergency vehicle	-	(200,000)	(200,000)	(200,000)	-	-	
54, 55	Transfer to Capital Projects - road projects	-	(1,000,000)	(1,000,000)	(1,000,000)	-	-	
54	Use of undesign. Fund balance - roads	-	200,000	200,000	-	(200,000)	-	
STM	Use of undesign. Fund balance - WHS	-	25,000	25,000	-	(25,000)	-	
46	Transfer to Recreation fund - programs	-	(7,250)	(7,250)	(7,250)	-	-	
73	Use of undesign. fund balance - budget	-	175,000	175,000	-	(175,000)	-	
Use of carryforward balances		368,745	-	368,745	-	(368,745)	-	
Total other financing sources (uses)		368,745	(7,250)	361,495	(407,250)	(768,745)	-	
Net change in fund balance		-	-	-	27,798	27,798	(481,335)	
Fund balance, beginning of year					3,769,667			
Fund balance, end of year					\$ 3,797,465			

** Balance carried forward reflects 2011 use of funds for scholarships

*** Balances carried forward include 2011 revenues received for these purposes

OTHER GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds account for specific resources, the expenditure of which are restricted by law or administrative action for particular purposes.

Special revenue funds are established for the following purposes:

Restricted Grants

The purpose of this fund is to segregate state, federal and private awards whose purpose is restricted by the agency providing the funds.

Recreation

To account for various recreation fees and related expenditures.

NONMAJOR CAPITAL PROJECT FUNDS

Capital projects funds are established to account for resources obtained and expended for the acquisition of major capital facilities and projects.

The Town's individual capital project funds were established for the following purposes:

Emergency Vehicle

To accumulate funds in a dedicated interest bearing account to ultimately purchase emergency vehicles.

Road Projects

To account for various funds appropriated by Town Meeting for the reconstruction of existing roadways.

TOWN OF HARPSWELL, MAINE
Other Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2011

	Special Revenues		Capital Projects	
	Restricted Grants	Recreation	Emergency Vehicles	Totals
ASSETS				
Interfund receivables	\$ 2,536	21,353	726,017	749,906
Total assets	\$ 2,536	21,353	726,017	749,906
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenues	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Restricted:				
Capital projects and grants	2,536	-	726,017	728,553
Assigned:				
Recreation	-	21,353	-	21,353
Total fund balances	2,536	21,353	726,017	749,906
Total liabilities and fund balances	\$ 2,536	21,353	726,017	749,906

TOWN OF HARPSWELL, MAINE
Other Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2011

	Special Revenues		Capital Projects	Totals
	Restricted Grants	Recreation	Emergency Vehicles	
Revenues:				
Intergovernmental	\$ 110,310	-	-	110,310
Interest earned	-	-	5,036	5,036
Charges for services	-	39,447	-	39,447
Total revenues	110,310	39,447	5,036	154,793
Expenditures:				
For specified purpose	114,262	47,137	-	161,399
Capital outlay	-	-	362,335	362,335
Total expenditures	114,262	47,137	362,335	523,734
Deficiency of revenues under expenditures	(3,952)	(7,690)	(357,299)	(368,941)
Other financing sources:				
Transfers from general fund	-	7,250	200,000	207,250
Total other financing sources	-	7,250	200,000	207,250
Net change in fund balances	(3,952)	(440)	(157,299)	(161,691)
Fund balances, beginning of year	6,488	21,793	883,316	911,597
Fund balances, end of year	\$ 2,536	21,353	726,017	749,906

SCHEDULES

TOWN OF HARPSWELL, MAINE
Statement of Taxes and Liens Receivable
For the year ended December 31, 2011

Year	Balance at 12/31/10	2011 Commitment	Supplemental Taxes	Collections	Abatements	Balance at 12/31/11
pre 2002 *	\$ 630	-	-	-	-	630
2005 *	976	-	-	-	-	976
2006 *	1,590	-	-	-	-	1,590
2007 *	1,807	-	-	(17)	-	1,790
2008	1,454	-	-	(83)	-	1,371
2009	69,592	-	-	(68,182)	-	1,410
2010	446,298	-	-	(381,327)	(6,213)	58,758
2011	-	10,197,165	155	(9,673,767)	(150)	523,403
	522,347	10,197,165	155	(10,123,376)	(6,363)	589,928
						Taxes receivable 523,403
						Tax liens and acquired properties 66,525
Total						\$ 589,928

* includes tax acquired property